

SENATE BILL REPORT

SB 6049

As Reported by Senate Committee On:
Ways & Means, February 11, 2014

Title: An act relating to providing a business and occupation tax credit for businesses that hire veterans.

Brief Description: Providing a business and occupation tax credit for businesses that hire veterans.

Sponsors: Senators O'Ban, Angel, Baumgartner, Benton, Brown, Rolfes, Rivers, Bailey, King, Padden, Becker, Honeyford, Roach, Sheldon, Dammeier, Parlette and Conway.

Brief History:

Committee Activity: Ways & Means: 1/27/14, 2/11/14 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6049 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Fraser, Hasegawa, Hatfield, Hewitt, Kohl-Welles, Padden, Parlette, Rivers, Schoesler and Tom.

Staff: Juliana Roe (786-7438)

Background: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the state general fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted.

The B&O tax code contains many exemptions and deductions for specific types of business activities and revenue. Tax credits, which provide a dollar-for-dollar offset against tax liability, are also authorized in certain circumstances. Some existing B&O tax credits were enacted for the specific purpose of encouraging employment growth. For example, a credit

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against the B&O tax is provided for firms that create employment positions in rural counties or community empowerment areas.

The public utility tax (PUT) applies to the gross income derived from the operation of public and privately owned utilities. The tax is in lieu of the B&O tax and applies to the general categories of transportation and the supply of energy and water.

The federal government recently had a program that provided a tax credit for hiring various groups, including qualified veterans, known as the Work Opportunity Tax Credit. It expired December 31, 2013.

Summary of Bill (Recommended Substitute): PUT or B&O tax credits are provided to businesses that provide positions to qualified employees. A qualified employee is an unemployed veteran who is employed in a permanent full-time position for at least two consecutive full calendar quarters. Full time is a normal work week of at least 35 hours per week. A veteran is a person who has received an honorable discharge, received a medical discharge with an honorable record, or is currently serving honorably; and who has served as a member in any branch of the armed forces, including the National Guard and armed forces reserves. Unemployed means that the veteran was unemployed for at least 30 days immediately preceding the date on which the veteran was hired by the person claiming the credit. The credit is equal to 20 percent of wages and benefits paid up to a maximum of \$1,500 for each qualified employment position filled by an unemployed veteran. The credits are available on a first-in-time basis not to exceed \$1 million in any fiscal year. Credits disallowed in one year can be carried over to the next fiscal year. Priority is given to credits carried over from a previous fiscal year.

Credits may be earned for tax reporting periods through June 30, 2018, and no credits may be claimed after June 30, 2022.

In the tax preference section, it provides that credits are intended to induce employers to hire and create jobs for unemployed veterans. It further states that the Joint Legislative Audit and Review Committee must review the new credits by December 31, 2022. If, in its review, it finds that the number of unemployed veterans has decreased by 30 percent, then the Legislature intends to extend the expiration date of the credits.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Qualified employment position is renamed qualified employee.

A credit can only be claimed after a qualified employee has worked two consecutive full calendar quarters.

An employer is prohibited from claiming a credit for a period of one year from the date on which the employer discharges an employee for something other than misconduct or a felony or gross misdemeanor conviction.

An employer cannot claim a credit for a person whom they or another employer has previously claimed a credit.

The maximum credit per qualified employee is reduced to \$1,500 per position.

The \$5 million cap for credits allowed each fiscal year is reduced to \$1 million.

The effective date is moved to 2016 and the expiration date is moved to 2023.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on October 1, 2016.

Staff Summary of Public Testimony on Original Bill: PRO: In our state and nationally, the unemployment rate for veterans is one to two points higher than it is for the general population. Unemployment for those who have fought in the war against terror is even higher. We know that in the next several years, the U.S. Army will be shedding about 20,000 positions. Many of these soldiers will want to remain in Washington. We will retain about 40 percent of those at Joint Base Lewis McChord, who will want to retire in Washington and we want their skills. They have remarkable experience, and we want to keep them here. They will add greatly to our workforce. The point of this bill is to incentivize employers to hire these veterans. Simply put, the more veterans hired, the better off we will be.

Persons Testifying: PRO: Senator O'Ban, prime sponsor; Ted Wicorek, Veterans Legislative Coalition.